Lines of Credit

Purpose

This section provides guidance on the development of internal controls, policies, and procedures for Class II gaming operations to issue credit to gaming patrons for wagering activities. It has been compiled by tribal regulators, Class II gaming operators, and other industry resources. Using best practices, this guidance is specifically designed to accommodate a variety of ways to implement controls to comply with Part 543.15. Because each gaming operation is different and subject to varying tribal laws and regulations, each tribe is responsible for determining the specific controls and procedures that are most suitable for its gaming operations and compliant with the MICS.

Furthermore, internal controls, policies, and procedures should be established and updated in a manner that accommodates changes and advancements in technology. Nothing in this guidance document should be read to limit the use of technology, regardless of whether or not such technology is mentioned herein.

§ 543.15 What are the minimum internal control standards for lines of credit?

| (a) Internal Control Procedures. | Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section. |
| (b) Computer Applications. | For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable. |
| (c) Variances. | The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented. |
| (d) Establishment of Lines of Credit Policy. | (1) If a gaming operation extends lines of credit, controls must be established to safeguard the assets of the gaming operation. Such controls must include the establishment of a lines of credit policy including the following: |
| | (i) A process for the patron to apply for, modify, and/or re-establish lines of credit, to include required documentation and credit line |
§ 543.15 What are the minimum internal control standards for lines of credit?

| (ii) | Credit issuer authorization levels; |
| (iii) | Identification of agents authorized to issue lines of credit; |
| (iv) | A process for verifying lines of credit worthiness of applicants; |
| (v) | A system for recording patron information; to include: |
| (A) | Name, current address, and signature; |
| (B) | Identification credential; |
| (C) | Authorized credit line limit; and |
| (D) | Approval by an agent authorized to approve credit line limits; |
| (vi) | A process for issuing lines of credit to include the following: |
| (A) | Notice to patron of lines of credit terms including patron written acknowledgment by signature; |
| (B) | Completion of a uniquely identified, multi-part, lines of credit issuance form, such as a marker or counter check, which includes the terms of that lines of credit transaction; |
| (C) | Signatory requirements; |
| (D) | Determining the amount of the patron’s available lines of credit; |
| (E) | Creation and maintenance of current lines of credit balance record updated at the time of each transaction to assure that lines of credit issued is within the established limit and balance for that patron. |
| (F) | Requirement that the agent issuing the lines of credit must be independent of the agent who authorized the lines of credit. |
| (vii) | A policy establishing credit line limit exceptions to include the following: |
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<td>(A)</td>
<td>Identification of the agent(s) authorized to permit a credit line limit to be exceeded;</td>
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<td>(B)</td>
<td>Authorization thresholds; and</td>
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<td>(C)</td>
<td>Required documentation.</td>
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(viii) A policy governing increases and decreases to a patron’s lines of credit account balances to include the following:

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<td>(A)</td>
<td>Documentation and record keeping requirements;</td>
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<td>(B)</td>
<td>Independence between the department that receives the payment and the department that maintains custody of the credit balance for payments made by mail;</td>
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<td>(C)</td>
<td>Collections;</td>
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<td>(D)</td>
<td>Periodic audits and confirmation of balances; and</td>
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<td>(E)</td>
<td>If a collection agency is utilized, a process to ensure documentation of increases and decreases to the lines of credit account balances.</td>
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(ix) A policy governing write-offs and settlements to include:

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<td>(A)</td>
<td>Identification of agent(s) authorized to approve write-offs and settlements;</td>
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<td>(B)</td>
<td>Authorization levels for write-offs and settlements of lines of credit instruments;</td>
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<td>(C)</td>
<td>Required documentation for write-offs and settlements;</td>
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<td>(D)</td>
<td>Independence between the agent who established the lines of credit and the agent writing off or settling the lines of credit instrument.</td>
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<td>(E)</td>
<td>Necessary documentation for the approval of write-offs and settlements and transmittal to the appropriate department for recording and deductibility.</td>
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(a) **Internal Control Procedures.** The TGRA should ensure that the gaming operation establishes a system of internal control standards (SICS) that are applicable to Lines of Credit. Such SICS should address, at a minimum, how the department operates, agents’ responsibilities, and controls to protect assets. The TGRA should review and approve the SICS prior to implementation.

(b) **Computer Applications.** A gaming operation may use computer applications, whether developed in-house or acquired externally, provided that controls are established in accordance with MICS and approved in writing by the TGRA. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards shall be implemented. For example, where an agent or multiple agents are required in the control, a computer application could substitute for one or all of the agents. Another example would be where a log is required, a computer application report could substitute for the log. If computer systems are used, procedures must be designed to account for computer system failure without compromising the effectiveness of the internal control standards.

(c) **Variances.**

(1) The TGRA or the gaming operation as authorized by the TGRA should establish a threshold at which variances (i.e., exceptions against controls, inconsistencies with established policies and procedures or deviations from expected outcomes) must be investigated.

(2) Best practice suggests that when the relevant predetermined variance threshold is achieved, the controls should require agents – preferably supervisory agents – to conduct a variance investigation. Variance investigation controls/procedures should include, but are not limited to:

(i) Transaction(s) document(s) review, including all department(s) records relating to the variance investigation;

(ii) Recount of assets/inventory;

(iii) Surveillance reviews;

(iv) Physical inspections; and

(v) Agent interviews.

(3) The investigation results must be supported by documentation and forwarded to the accounting department for review and retention. Best practice suggests that documentation should include copies of transaction forms, logs, and a description of the variance.
(d) **Supervision.**

(1) Controls should identify the supervisory agent in the department or area ultimately responsible for ensuring that the department or area is operating in accordance with established policies and procedures.

(2) The reporting structure may permit a supervisory agent to function as a lines of credit agent without any other supervision. In such instances, however, a supervisory agent either independent of the transaction or independent of the relevant department or area must resolve disputes.

(3) Best practice suggests that the written system of internal controls should include:

   (i) An organizational chart of the department or area;

   (ii) Job descriptions; and

   (iii) A narrative description of the reporting structure, which is designed to ensure adequate supervision and segregation of function.

(e) **Risk Assessments.** Risk assessments and periodic program reviews may be used to determine how often lines of credit should be audited. When an assessment and review is necessary, an agent independent of the organizational component responsible for authorizing lines of credit.

(f) **Establishment of Lines of Credit Policy.** By extending credit to patrons, the gaming operation takes the risk that the patron will be unable or unwilling to settle the debt in a timely manner. Credit standards must be designed to minimize this risk while maintaining the ability to offer credit to patrons in a timely manner.

(1) Agents involved in the credit program must be adequately trained to detect suspicious or criminal activity. In particular, agents must be trained to detect forgery, fraud, and money laundering.

(2) Agents involved in the credit program should be prohibited from applying for and receiving credit from the gaming operation.

(3) Credit may only be issued to patrons and used for gaming purposes within the casino and at amounts appropriate to the patron’s financial means and level of play.

(4) Oversight of the credit program must be maintained by persons, such as a committee, as approved by the TGRA, and should not be automated. Such persons shall be responsible for monitoring credit policy compliance.
(i) An oversight committee may include the General Manager, Chief Financial Officer, Compliance Manager, Director of Marketing, and other upper level management personnel.

(ii) Gaming operation management should report unresolved exceptions to the credit program policy to the oversight committee at least monthly.

(5) Management shall establish a minimum dollar amount for credit lines and cage markers. For example, a typical credit line minimum might be $1,000, and a typical cage marker minimum might be $500.

(6) Credit application. A primary purpose of the credit application is to record information needed to obtain the patron’s credit history, contact information, and record of the patron’s request for credit.

(i) It is strongly recommended that the credit application form indicate that the patron consents to the dispute resolution mechanism preferred by the TGRA.

(ii) At minimum, the following information must be recorded prior to processing an application for credit:

(A) Patron’s full name;

(B) Patron’s current residential address;

(C) Patron’s signature; and

(D) Verification of Patron’s identity, which may consist of:

   (1) Valid US Driver’s License;

   (2) State issued ID cards;

   (3) Military ID cards;

   (4) Government issued Driver’s License;

   (5) Passports; or

   (6) Verified check copy or deposit slip.

(iii) Additional information may also be recorded prior to processing an application for credit:

(A) Home phone number and cellular phone number;
(B) Date of birth;

(C) Copy of the Social Security Card;

(D) Copy of a completed W-9 form;

(E) Business information – name, address and phone number; or

(F) Bank name, account number, and ABA number;

(1) If bank information is used to secure a line of credit, the account used must be one that checks can be written against.

(2) If more than one account is provided, the account against which the credit will be debited when it becomes due shall be verified, and the balance found to be supportive of the credit requested before credit is issued.

(7) Credit application processing.

(i) Prior to extending credit, the patron’s gaming operation credit record and other available documentation shall be examined to determine the patron’s:

(A) Properly authorized credit limit:

(1) The patron’s current gaming report must be printed and examined before credit is issued.

(i) Management shall utilize a gaming information & services company that provides patron credit information compiled from other gaming operations.

(2) Credit authorizers must ensure that a patron is not banned, barred, or subject to any gaming facility exclusions before credit is issued.

(3) Credit lines shall not exceed the amount that has been issued at other casinos without documented justification and approvals.

(4) Extension of credit should not exceed a specified period of time (e.g., thirty days) without executive management approval.
(5) A credit agency report shall be generated upon a patron’s first application for credit, and for extensions of credit.

(B) Past credit issuances and payments:

(1) Derogatory information on the patron’s gaming operation credit record requires review by management before issuance of credit.

(2) Best practice suggests a patron with a negative payment history with the gaming operation should not be extended credit.

(C) Whether remaining credit is sufficient to cover the credit issuance; and

(D) Verification of the identity of the patron.

(8) Credit authorization. Management shall establish a chart of credit authorizers detailing job title and the associated maximum dollar amount able to be authorized by that position.

(i) Credit must be approved only after careful consideration of all the information outlined in the credit program policy. Considerations include:

(A) Patron’s credit balance across all gaming operations;

(B) Current credit history;

(C) Payment history across all gaming operations;

(D) Amount of credit actually used by patron in the past;

(E) Current employment or business information;

(F) Current bank information; and

(G) Personal knowledge of patron’s ability to pay.

(ii) Credit may only be granted or extended by a credit authorizer who is authorized to grant or extend credit of an amount equal to or higher than the amount of credit to be authorized.

(iii) All approvals of credit extensions over ten percent of the previously established limit shall be documented.
(iv) The job functions of credit approval (i.e., establishing the patron’s credit worthiness) and credit extension (i.e., advancing patron’s credit) shall be segregated for credit extensions to a single patron of a specified amount (e.g., not to exceed $5,000 per day).

(v) If credit is extended to a single patron exceeding a specified amount (e.g., $5,000), appropriate gaming personnel shall be notified on a timely basis of the patron’s playing on credit, the applicable amount of credit issued, and the available balance.

(9) Cage marker forms. Cage marker forms must be at least two parts (the original marker and a payment slip), and pre-numbered by the printer or concurrently numbered by the computerized system, and utilized in numerical sequence.

(i) The completed original cage marker shall contain at least the following information:

(A) Marker number;

(B) Patron’s name and signature; and

(C) Amount of credit issued (both alpha and numeric).

(ii) It is the responsibility of the credit authorizer to be certain that all required information has been received.

(iii) After the patron has completed the credit application, the credit authorizer shall enter the following on the permanent record of the application:

(A) Total amount of credit authorized;

(B) Date of authorization;

(C) Credit authorizer’s printed name; and

(D) Credit authorizer’s signature.

(g) Payments. Internal controls must be established which clearly document the receipt of payments, including partial payments, and ensure that they are properly credited to the patron’s credit account.

(1) The total amount of payments received by mail shall be reconciled on a random basis with the total receipts recorded by the cage to ensure proper application to the patron’s credit account, best practice suggests at a minimum three days a month.
(2) All payments received on outstanding credit instruments shall be recorded in ink or other permanent form of recordation in the gaming operation’s records.

(i) The completed payment slip shall include:

(A) The same marker number as the original;

(B) Date and time of payment;

(C) Amount of payment;

(D) Nature of settlement (cash, chips, check, etc.); and

(E) Signature of cashier receiving the payment.

(3) Credit line payment dispositions. Management shall establish a chart of deposit dates based on the total amount of the credit line.

(4) When partial payments are made on credit instruments, they shall be evidenced by a multi-part receipt (or another equivalent document) that contains:

(i) The same preprinted number on all copies;

(ii) Patron’s name;

(iii) Date of payment;

(iv) Dollar amount of payment (or remaining balance if a new marker is issued), and nature of settlement;

(v) Signature of agent receiving payment; and

(vi) Number of credit instrument on which partial payment is being made.

(5) Check cashing. Checks cashed are to be applied against a patron’s credit line. Best practice suggests the following:

(i) Business checks should only be accepted if the check has the patron’s full name and business address on the bank-issued check.

(ii) Corporate, partnership, or other non-individual checks should be prohibited.

(iii) Business checks should not be accepted from newly established patrons.

(6) Unless account balances are routinely confirmed on a random basis by the accounting or internal audit departments, or statements are mailed by a person
independent of the credit transactions and collections thereon, and the department receiving payments cannot access cash, then the following standards should apply:

(i) The routing procedures for payments by mail require that a department independent of credit instrument custody and collection receive such payments;

(ii) Such receipts by mail shall be documented on a listing indicating the patron’s name, amount of payment, nature of payment (if other than a check), and date payment is received; and

(iii) The total amount of the listing of mail receipts shall be reconciled with the total mail receipts recorded on the appropriate accountability form by the accounting department on a random basis (best practice suggests that this be completed for at least three (3) days per month).

(h) Access to Credit Documentation. Internal control standards must be developed that reflect the highly confidential nature of patron credit information and evaluations.

(1) The gaming operation’s opinion relative to any credit risk must be expressed only by and limited to those who are responsible for the administration of the credit function.

(2) It is the responsibility of the credit department to protect the confidentiality of credit information and to ensure that only those entitled have access to credit records.

(3) Credit statements. Credit statements shall only be provided to patrons upon request after verification of their identity. If by mail, the patron’s request must be notarized, and the statement mailed only to the address identified on the credit application.

(i) Maintenance of Credit Documentation. All documentation required by the credit program policies and procedures must be maintained while a credit account is active and for a reasonable duration thereafter. This includes documentation not contained on gaming operation forms or computer systems, such as credit reports, correspondence with the patron, and credit authorizer notes.

(1) All extensions of credit and subsequent payments shall be documented on a credit instrument control form.

(2) Records of all correspondence, transfers to and from outside agencies, and other documents related to issued credit instruments shall be maintained.
(3) Account codes. Management shall establish a chart of account codes for use by the credit department. These account codes may only be changed or updated by authorized agents. For example:

(i) Active: Signifies that the account is ready to be used by the patron and that no information is needed for the file.

(ii) Pending: Signifies that additional information must be provided before the status may be changed to Active.

(iii) Inactive: Signifies that the patron has not used their credit line for a lengthy period of time and the credit line has been removed.

(iv) Credit Suspended: Signifies that the patron lost their credit line due to negative history.

(j) Write-Offs and Settlements. Management must establish clear standards defining when and by whom a patron’s credit account balance may be settled for less than the full amount, or written-off as uncollectable.

(1) Written-off or settled credit instruments shall be authorized in writing.

(2) Such authorizations shall be made by at least two management agents who are from departments independent of the credit transaction.

(3) Settlements.

(i) After all collection efforts have been exhausted or special conditions exist, management may request the credit committee or TGRA, if applicable, to authorize settlement for a lesser amount. The consideration of settlement offers include the following reasons:

(A) The settlement is the only cost effective way to induce partial payment.

(B) The settlement is the result of a dispute with the patron regarding the existence of the debt.

(C) The settlement is required to retain the patron’s future business.

(D) The settlement is required to obtain the patron’s business and obtain timely payment.

(ii) Where possible, all parties involved in the settlement, including the patron, shall sign the settlement document.
(4) Write-offs.

(i) After all collection efforts have been exhausted, the decision may be made to write off a credit account.

(ii) A list of marker numbers and amounts are recorded along with a grand total amount.

(iii) The markers are flagged as written off and taken out of the cage inventory.

(iv) A copy of the write-off paperwork is sent to the appropriate department.

(v) Any write-offs in excess of a certain amount will require documented approval in accordance with established policy.

(k) Collection Agency Use. Utilizing a collection agency does not relieve the gaming operation of its responsibilities to maintain documentation of the patron’s credit account.

(1) When outstanding credit instruments are transferred to a collection agency, or other collection representatives, a copy of the credit instrument and a receipt from the collections representative shall be obtained and maintained until such a time as the credit instrument is returned or payment is received.

(2) Best practice suggests at least quarterly an agent independent of credit transactions should routinely confirm on a random basis all collection account balances and records.

(3) Best practice suggests that at least quarterly the appropriate department should examine credit records to determine that appropriate collections efforts are being made and payments are being properly recorded.

(l) Audit and Accounting.

(1) When lines of credit are issued for Class II gaming activities, controls must be established for audit and accounting in accordance with MICS 543.19 (What are the minimum internal control standards for audit and accounting?) and the guidance provided in the associated document.

(2) Best practice suggests that each operational area secure daily audit and accounting records, forms, and documents prior to audit. For example a cashier may place records in a locked box for next-day delivery to accounting for audit.